NO. 20101

IN THE UNITED STATES COURT OF APPEALS

FOR THE NINTH CIRCUIT

THE BOBRICK CORPORATION,

Appellant,

vs.

AMERICAN DISPENSER CO., INC.,

Appellee.

APPELLANT'S REPLY BRIEF

APPEAL FROM
UNITED STATES DISTRICT COURT FOR THE
SOUTHERN DISTRICT OF CALIFORNIA
CENTRAL DIVISION

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CONCISE STATEMENT OF PERTINENT FACTS

Appellee repeatedly states that, prior to the expiration of the time to answer, it had no knowledge of the service on it on November 12, 1964 in the Southern District of California. For example, on page 5 of its Brief, American states:

> "It is apparent from the foregoing facts that American Dispenser had no knowledge of any attempted service on it in California through Philip Shore."

The "foregoing facts" is a mere statement in a Memorandum of American Dispenser prepared by their local attorneys who may have honestly believed the statement to be true because of a lack of information. Whether American knew that it had been served in Los Angeles

on November 12, 1964 is a question that undoubtedly will be gone into if American moves to set aside its default for "good cause" under Rule 55(c) of the Federal Rules of Civil Procedure. But, the question has not been gone into yet and there is absolutely no evidence in the record pertaining thereto -- only the self-serving statements of counsel. Perhaps discovery will later show that the statements are true, but this Court on this record should not allow its decision to be colored by these unsworn, and perhaps erroneous, statements.

Also on page 5 of its Brief, American apparently argues that it was not in default as long as Bobrick did not make a request for entry or judgment of default and, since American filed its motion to quash service and dismiss for lack of proper venue on January 6, 1965, prior to Bobrick's Request to Enter Default, filed on January 11, 1965, the Request was too late. American also intimates that Bobrick followed the wrong procedure in directing the Request to the "Clerk" under Rule 55(b)(1) instead of the "Court" under Rule 55(b)(2). American is wrong on all counts. First, a party is in default when the twenty days to answer expires; entry of default is a purely formal matter. Orange Theatre Corp. v. Rayherstz Amusement Corp., 130 F.2d 185, 6 FR Serv. 66.12, Case 1 (3rd Cir. 1942). Second, Bobrick did not proceed under Rule 55(b)(1), which relates to "judgment by default" by the Clerk. Bobrick proceeded under Rule 55(a) to have the Clerk "enter" the default. This is "the first step leading to the entry of a judgment of default". 6 Moore's Federal Practice, Para. 55.03(1), page 1809 and Para. 55.02(3), page 1807. Bobrick did not apply to the Court for a judgment by default under Rule 55(b)(2)

because there were several remaining defendants who were jointly liable with American. In such a case "entry of judgment should await an adjudication as to the liability of the non-defaulting defendants". 6 Moore's Federal Practice, Para. 55.06, page 1820.

On page 6 of its Brief, Appellee states that: "Bobrick raised no objections to the (discovery) order and indicated its approval thereof by the approved signature of its attorney on the proposed order." The reason is crystal clear: Appellee had not raised the issue of jurisdiction over its person arising out of service in the Southern District of California, and Bobrick believed the issue had been waived under Rules 12(g) and (h) on January 6, 1965 when Appellee filed its Rule 12 Motion. Why should Bobrick have insisted on discovery into matters not then in issue? Appellee then proceeds, on page 6, to state that Bobrick could have exceeded the scope of the discovery order since Appellee would not have objected. This knowledge comes a little late but, in any event, Bobrick had no way of knowing when it took the deposition of Shore on March 2, 1965, that the issue of jurisdiction over the person arising out of service in California would suddenly and unexpectedly later arise, as it did, in the Court's order of April 8, 1965.

Moreover, even if Bobrick had been clairvoyant and had gone into the question of whether Philip Shore was an "agent" of American, under Rule 4(d)(3), that would not have wholly disposed of the issue of jurisdiction over the person because under California law, made applicable by Rule 4(d)(7), jurisdiction over the person may be obtained if service is made on "the general manager in this

State". See California Code of Civil Procedure, Section 411 (2); California Corporations Code, Section 6500.

SUMMARY OF ARGUMENT

1. American Dispenser waived its right to have the action against it dismissed on the ground that the Court did not have jurisdiction over its person arising out of service in California.

2. Jurisdiction of the District Court over the person of American Dispenser is dependent on the law of the State of California.

3. American may not move to dismiss under Rule 12 for improper venue until it sets aside the default.

ARGUMENT

1. American Dispenser Waived Its Right to Have the Action Against It Dismissed on the Ground That the Court Did Not Have Jurisdiction Over Its Person Arising Out Of Service in California.

American was in default and had no standing to challenge jurisdiction over its person arising out of service in California. But, even if it did have standing, it waived its defense when it filed its Rule 12 Motion as pointed out in Appellant's Brief, pages 6-7.

On page 12 of its Brief, Appellee talks about "no showing that Philip Shore was a proper person for service as an agent of American Dispenser" and "no showing" of other things, implying that the burden of proof on the issue of jurisdiction over the person

was on Bobrick. Like Appellee, Bobrick has found no cases in point. However, jurisdiction over the person is similar to venue in these respects: Jurisdiction over the person need not be alleged in the Complaint. See Explanatory Note to Official Form 2 in Appendix to the Federal Rules of Civil Procedure. And, jurisdiction over the person may be waived. Rules 12(g) and (h) of the Federal Rules of Civil Procedure; 1A Federal Practice and Procedure by Barron and Holtzoff, Section 370, pages 509-510. So, the burden of proving lack of jurisdiction over the person, like the burden of proving lack of venue, should be on the moving party.

American also argues, on page 13, that the issue of default was before the District Court. This is wholly unrealistic procedurewise. Appellee made no motion to set aside the default under Rule 55(c) either in writing or orally during hearing, as required by Rule 7(b). But, see Local Rule 3(i) which states: "No oral motions . . . will be recognized." Clearly, then, the party seeking to set aside a default "should make a formal motion". 6 Moore's Federal Practice, Para. 55.10 (1), page 1828. And, the motion "must state with particularity the grounds therefor". 1/ 2 Moore's Federal Practice, Para. 7.05, page 1542. Not having done so, the issue of default was not before the Court. And, even if it were, it was not wholly disposed of, as previously pointed out, because the Court made no finding on whether Philip Shore was

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1/ Bobrick therefore disagrees with Appellee's statement on page 14 that: "There are no prescribed Rules in the Federal Rules of Civil Procedure regarding the form in which a motion must be brought."

"the general manager in this State".

2. Jurisdiction of the District Court Over the Person of American Dispenser is Dependent On the Law of the State of California.

Appellee heads Part II of its Brief as follows: "Jurisdiction over the person of American Dispenser Company is not dependent on the law of the State of California". Yet, Rule 4(d)(7) of the Federal Rules of Civil Procedure provides that service may be made upon a domestic or foreign corporation:

> " . . . in the manner prescribed by the law of the State in which the district court is held. . . . "

Service of original process is "the means of securing jurisdiction by the court over the defendant's person". 2 Moore's Federal Practice, Para. 4.02(4), page 954. So, Bobrick does not understand Appellee's argument, especially the reference to 28 U.S.C. Section 1400(b), which is in Chapter 87 of Title 28, entitled "Venue". Venue and jurisdiction over the person are not the same thing, and neither has any bearing on the other. As stated in 2 Moore's Federal Practice, Para. 4.02(4), page 955:

> "There often may be situations where venue is proper in a place where service of process may not be obtained over defendant and contrariwise there may be situations where service is proper but venue is lacking.".

If Appellee is arguing that 28 U.S.C. Section 1694, made applicable by Rule 4(d)(7), is the exclusive means of serving process in a patent infringement action, Appellee cites no authority therefor. Such an argument would be contrary to the alternative "or" in Rule 4(d)(7) and the non-mandatory "may" in Section 1694.

Bobrick agrees that Appellee must have certain minimal contacts with the State of California to satisfy the Constitutional due process requirements. McGee v. International Life Insurance, 355 U.S. 220 (1957). If this is what Appellee means by "federal law", then the California Court applied federal law in Smith & Wesson, saying (at page 12 of Appellant's Brief):

> "Certainly, the admitted activities of Smith and Wesson in this state are more significant than the minimal contacts deemed sufficient in McGee v. International Life Ins. Co., 355 U.S. 220, 78 S. Ct. 199, 2 L.Ed.2d 223, where the foreign corporation elected to deal with its insured, a California resident, only by mail."

3. American May Not Move to Dismiss Under Rule 12 For Improper Venue Until it Sets Aside the Default.

In Orange Theatre v. Rayherstz Amusement, 130 F.2d 185, 6 FR Serv. 66.12, Case 1 (3rd Cir. 1942), the Court held that a party may not move to dismiss for improper venue until it sets aside the default. American says, on pages 21-22, that remand

would be a "futile gesture" since the Court would set aside the default for good cause. Perhaps so, but Bobrick wants a hearing on that issue. Bobrick wants to know what Philip Shore did with the service on American of the Summons and Complaint. Bobrick wants the Court to determine if Philip Shore was the "general manager in this State" within the meaning of Smith & Wesson, because Bobrick has never had an opportunity to argue this point since the issue of jurisdiction over the person was not raised until Appellee gratuitously inserted it in their proposed order after hearing. Suppose that further discovery reveals that Philip Shore immediately forwarded the Summons and Complaint to American. Suppose that after reading Smith & Wesson and permitting discovery on the relevant factors considered therein, the Court decides that Philip Shore was "the general manager in this State". In that event, Bobrick doubts that remand would be a "futile gesture". Rather, the Court would probably refuse to set aside the default and Bobrick could move for a default judgment when and if it were successful against the other defendants, thereby making it desirable for American to defend said other defendants, who are American's customers, and perhaps prevent American from carrying out its scheme to make Bobrick simultaneously litigate the infringement of the same patent by the same device in both California and in Delaware.

CONCLUSION

American defaulted and was without standing to move to dismiss for either lack of venue or lack of jurisdiction over its person.

Nevertheless, without moving to set aside the default, American did move to dismiss for lack of venue and lack of jurisdiction over its person arising out of service in New York, thereby waiving any objection to the service on it in California under Rules 12(g) and (h) of the Federal Rules of Civil Procedure. After hearing on these issues, in which it prevailed, American gratuitously inserted a provision in its proposed order that "the Court does not have jurisdiction over the person of American Dispenser because Philip Shore is not an agent thereof for the service of summons in the State of California", as required by Rule 4(d)(3) of the Federal Rules of Civil Procedure. In attempting to "fix up" the order to invalidate the previously waived service in California, American apparently forgot that service could also be made under Rule 4(d)(7) on "the general manager in the State". So, even if American's whole questionable procedure is stamped with approval, it cannot prevail because jurisdiction over its person was obtained by service on its "general manager in this State", as that term is defined by the California Courts. Having then defaulted, American's attempt to move to dismiss for lack of venue was without effect under the Orange Theatre decision. The case should therefore be remanded to determine if there is "good cause" under Rule 55(c) to set aside the default.

Respectfully submitted,

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CERTIFICATE

I certify that, in connection with the preparation of this brief, I have examined Rules 18 and 19 of the United States Court of Appeals for the Ninth Circuit, and that, in my opinion, the foregoing brief is in full compliance with those rules.

/s/ Thomas P. Mahoney
THOMAS P. MAHONEY